

Message Text

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17

ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 ABF-01 FS-01 EB-07 OMB-01 OPR-01

A-01 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 RSC-01

USIA-06 PRS-01 SP-02 /043 W
----- 049161

R 030723Z JAN 75

FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 2482
DEPT OF COMMERCE WASHDC
INFO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY VIENNA
AMEMBASSY WARSAW
AMCONGEN MUNICH

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E.O. 11652: N/A

TAGS: EFIN, ETRD, HU

SUBJ: REVALUATION OF HUNGARIAN FORINT

REF: BUDAPEST 3344

STATE PASS TREASURY

1. HUNGARIAN NATIONAL BANK ANNOUNCED JANUARY 1 MODERATE
REVALUATION OF HUNGARIAN FORINT AGAINST ALL PRINCIPAL
WESTERN CURRENCIES. THE BANK JUSTIFIED ITS ACTION,
WHICH HAD BEEN EXPECTED FOR SOME TIME, ON THE GROUNDS
OF THE INCREASINGLY HIGH RATE OF WESTERN INFLATION AND
THE NEED TO TAKE STEPS TO SHIELD THE HUNGARIAN ECONOMY
FROM THE ADVERSE EFFECTS OF THIS INFLATION. EFFECTIVE
RATES OF REVALUATION WERE:

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U.S. \$	EQUALS 7 PERCENT (\$1 NOW EQUALS 21.7539 FTS COMPARED TO PREVIOUS RATE OF \$1 EQUALS 23.3762 FTS)
GERMAN MARK	EQUALS 5 PERCENT (1 DM EQUALS 8.53 FTS)
BRITISH POUND	EQUALS 9 PERCENT (1 POUND EQUALS 51.12 FTS)
FRENCH FRANC	EQUALS 7 PERCENT (1 FRANC EQUALS 4.74 FTS)
ITALIAN LIRA	EQUALS 7 PERCENT (100 LIRA EQUALS 3.315 FTS)
AUSTRIAN SCHILLING	EQUALS 3 PERCENT (100 SCHILLINGS EQUALS 118.66 FTS)
SWISS FRANC	EQUALS 1.3 PERCENT (1 SFR EQUALS 7.25 FTS)

2. COMMENT: ONE EFFECT OF HUNGARIAN REVALUATION WILL BE TO SERVE AS TAX ON HUNGARIAN EXPORTERS WHO WILL NOW BE PAID FEWER FORINTS BY HUNGARIAN NATIONAL BANK FOR PRODUCTS SOLD IN WEST FOR HARD CURRENCY, AS FOREIGN EXCHANGE MULTIPLIER WHICH IS BASICALLY DOUBLE TOURIST RATE OF EXCHANGE WILL ALSO BE READJUSTED TO REFLECT NEW PARITIES. REVALUATION WILL ALSO HELP GOH TO ATTAIN GOAL OF FORCING ENTERPRISES TO ATTEMPT AND OBTAIN HIGHEST POSSIBLE PRICES FOR THEIR PRODUCTS IN WESTERN MARKETS IN VIEW OF CONSIDERABLE DETERIORATION IN HUNGARIAN TERMS OF TRADE DURING 1974. IN ADDITION, CHANGE IN PARITIES WILL HAVE DESIRED EFFECT OF MAKING HUNGARIAN IMPORTS FROM WEST CHEAPER WHICH WILL BOTH HELP REDUCE INFLATIONARY PRESSURES IN ECONOMY AND ENABLE A REDUCTION IN THE SUBSIDIES PAID BY THE GOVERNMENT TO IMPORTERS TO COMPENSATE FOR THE HIGH COST OF MANY ESSENTIAL PRODUCTS PROCURED FROM WORLD MARKET. ALTHOUGH HUNGARIANS HAVE ADMITTED THAT CURRENCY REALIGNMENT WOULD INCREASE APPETITIE OF ENTERPRISES FOR WESTERN PRODUCTS, THEY EXPECT TO BE ABLE TO CONTROL GROWTH OF DEMAND BY A TIGHT CREDIT POLICY AND DO NOT ANTICIPATE THAT REVALUATION WILL INCREASE SIZE OF HUNGARY'S CURRENT NEGATIVE BALANCE OF TRADE WITH NON-CEMA COUNTRIES.

PEDERSEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, POLICIES, EXPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUDAPE00010
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750003-0225
From: BUDAPEST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750180/aaaacsrl.tel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 BUDAPEST 3344
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 02 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2003 by MartinML>; APPROVED <02 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REVALUATION OF HUNGARIAN FORINT
TAGS: EFIN, ETRD, HU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006